

Agriculture and Louisiana's Economic Development

Informational Visit to Sparks Company in Memphis and the Forest Products Laboratory at Mississippi State University

Louisiana's agricultural industry is poised for expansion in value-added products. We have the agricultural expertise and plentiful resources, but we need more facts, figures and a national and global perspective on where best to move forward and get the most return on our investment.

With that purpose in mind, a small delegation vitally interested in the future of Louisiana's agricultural industry met with top management officials at Sparks Company, an international agricultural consulting firm specializing in market research and analysis with strong ties to Louisiana and LSU. The company is headquartered in Memphis, Tennessee. The group also visited the Forest Products Laboratory at Mississippi State University in Starkville. Mississippi has developed its value-added wood products industry to a greater extent than Louisiana has.

The Louisiana delegation was led by Rep. Francis Thompson and Dr. Bill Richardson, chancellor of the LSU AgCenter. Others included Sen. Ben Nevers; Rep. Jim Fannin; Rep. Mike Strain; Randy Rogers of the Louisiana Department of Agriculture and Forestry; Robert Warren, a farmer representing Farm Bureau; and Kelsey Short of the Department of Economic Development.

The discussion with the Sparks team focused on several of our key Louisiana commodities and how they fit in with national and international trends.

Francis Thompson emphasized that agriculture is critically important to the state, and we need to do something significant in value-added in each congressional district.



The Louisiana delegation tours the new Forest Products Laboratory at Mississippi State University. Left to right: Francis Thompson; Robert Warren; Kelsey Short; Liam Leightley, head of the lab; Ben Nevers; Randy Rogers; Jim Fannin; Bill Richardson and Mike Strain.

Trends Discussed

■ **Aquaculture:** Aquaculture has great potential for expansion in Louisiana. As U.S. per capita consumption of seafood continues to increase, and as wild fish stocks become depleted, there will be opportunities for expansion of aquaculture industries. Louisiana's natural resource base is well-suited for growing and processing numerous fish and shell fish species, including the potential for offshore mariculture (saltwater farms) of some species. The LSU AgCenter conducts research at its Aquaculture Research Station.

■ **Pharmaceuticals, nutri-ceuticals:** This requires an intense research base, which Louisiana has through the LSU AgCenter, LSU, Pennington and the LSU Health Sciences Center. For example, the LSU AgCenter has licensed technology to a start-up biotech company to produce insulin from the eggs of transgenic chickens. Nutri-ceuticals and functional foods also offer the potential for value-added industries. LSU AgCenter researchers are examining the roles various nutrients play in disease prevention as well as how to extract these components and incorporate them into popular foods.

■ **Nursery industry:** This is one of agriculture's fastest growing industries, yet there is potential for even greater expansion. The caveat is that the industry

must get bigger and produce higher volumes of consistent quality. This is also true with greenhouse production of vegetables. Large retail markets require high volume and reliability.

■ **Dairy industry:** Dairy milking creates gainful employment for more than 300 Louisiana dairy farm families and a supporting infrastructure of feed dealers, equipment dealers, veterinarians and others in rural areas of the state. The value of Louisiana's raw milk marketing in 2003 exceeded \$71 million. Value-added from processing and the combined multiplier effect would probably double that contribution. Louisiana's dairy industry is shrinking but the national and international potential for dairy and value-added products is growing. There is potential for introducing large dairies into the Northeast part of the state where they can be forage-fed.

■ **Forest products:** Louisiana is blessed with abundant timber and timberland. While Louisiana has long been a leader in the southeastern United States in production of primary solid wood products such as lumber, it has lagged woefully behind almost every other southern state in adding value to those primary products. The most recent figures indicate Louisiana added \$0.94 for every dollar of primary value, whereas South-leading North Carolina added \$4.27 for every dollar of primary value. Although there are competitive pressures from many sub-sectors of the furniture industry, there are sectors that warrant examination for further development. Composite structural panels, particularly those made with a combination of wood and non-wood materials (e.g. agricultural waste, wood waste, and plastics) are emerging products being researched, developed, and commercialized nationally and internationally. The LSU AgCenter's Forest Products Development Center is conducting research to analyze the potential for value-added and new product market development in Louisiana.

■ **Biomass, biofuel:** The feedstocks for biomass and biofuels can be both the fruits of Louisiana's agricultural crops as well as the residues of those crops. Louisiana's climate accommodates the production of many types of feedstocks. Environmental pressures for a cleaner environment will push the feasibility of using biological materials from Louisiana's fields and forest for biofuels. Subsidies will have to be sufficient to cover the transportation and storage



Tom Scott, fourth from left, is the senior vice president at Sparks.

infrastructure costs necessary for year-round processing. One of the reasons for the absence of value-added soybean processing facilities in Louisiana is lack of year-round volumes to minimize processing costs. There is great potential for biomass/biofuels industries in Louisiana, especially as concerns for air quality grow.

■ **Sugar and sweeteners:**

Louisiana and Florida produce about 90 percent of the cane sugar for the U.S. market. Florida's industry is vertically integrated; Louisiana's is the opposite. Each segment of the industry acts independently. The raw sugar mills must get larger to survive. Raw sugar mills have been going out of business. This trend will continue. A potential for growth in Louisiana is value-added.

■ **Food processing:** Louisiana can take advantage of its "brand equity." The national and international market for specialty foods is limitless. Cattle are produced in 63 of Louisiana's 64 parishes.

■ **Cotton:** Widespread adoption of biotechnology and precision agriculture technologies have boosted the fortunes of Louisiana cotton producers. However, international pressures, such as from cotton producers in China and South America, and trade issues continue to portend low market prices and lost market share. Cotton is truly an international commodity. The domestic cotton textile industry continues to decline. Domestic mill use has dropped from 11 million bales in 1997 to a projected six million bales in 2004. Much of this decline can be attributed to the loss of major domestic textile mills. The exit of domestic mills has been hastened by implementation of NAFTA. Several mills have moved operations to Mexico or other countries. Opportunities for developing additional processing for cotton fiber domestically are limited. The future may lie with niche markets. These include natural colored cottons and organic cotton production. Both of these are being tried in other parts of the cotton belt with varying degrees of success.

The world's agricultural and food industry is expanding and remains in a constant state of change. Successful businesses must deal with rapidly shifting market conditions driven by trade policies, technological innovations, weather conditions and fluctuating consumer preferences. Louisiana has the potential to be a major player in the national and international arenas of agriculture.